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FISCAL IMPACT STATEMENT

LS 6399

BILL NUMBER: SB 106

NOTE PREPARED: Feb 21, 2006

BILL AMENDED: Feb 16, 2006

SUBJECT: Tax on Recreational Vehicles and Cargo Trailers.

FIRST AUTHOR: Sen. Young R Michael

FIRST SPONSOR: Rep. Walorski

BILL STATUS: 2nd Reading - 2nd House

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: (Amended) This bill provides that a cargo trailer or recreational vehicle (RV) purchased by a resident of another state or country is exempt from Indiana sales tax if it is to be registered in a state or country. The bill deletes the requirement that a nonresident purchaser provide, and the seller keep on file, a copy of the purchaser's registration or title from outside Indiana.

Effective Date: July 1, 2006.

Explanation of State Expenditures: This bill will increase the administrative costs of the Department of State Revenue (DOR). The DOR will have to amend the Sales Tax forms, as well as update computer software. It is estimated that the provisions of this bill can be implemented within the existing level of resources available to the DOR.

Explanation of State Revenues: (Revised) This bill exempts sales of recreational vehicles (RVs) and cargo trailers to nonresident purchasers who take the RV or trailer out of state within 30 days and register it in another state. These provisions will decrease Sales Tax collections between \$4.0 M and \$8.7 M annually.

Sales Tax revenue is deposited in the Property Tax Replacement Fund (50%), the state General Fund (49.192%), the Public Mass Transportation Fund (0.635%), the Commuter Rail Service Fund (0.14%), and the Industrial Rail Service Fund (0.033%).

Background Information: P.L. 81-2004 repealed a Sales Tax exemption for motor vehicles, watercraft, trailers, and aircraft purchased in Indiana and registered out of state. P.L. 195-2005 (SEA 213-2005), effective

July 1, 2005, reestablished the aircraft exemption and a partial exemption for cargo trailers and RVs. The partial exemption, which is current law, allows an exemption equal to the difference between Indiana's 6% Sales Tax rate and the rate of the purchaser's home state. The result is that under current law, a non-resident purchaser pays Sales Tax to Indiana at a rate equal to the rate they would have paid had they made the purchase in their home state.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of State Revenue.

Local Agencies Affected:

Information Sources:

Fiscal Analyst: Adam Brown, 317-232-9854.